Worldwide View Given At National Ag Conference

(Continued from Page A1)

year an additional U.S. $2-3 billion will be spent on surplus disposal.

Even in 1984, taxpayers and consumers together were subsidising farmers in the E.C. by up to U.S. $40 billion a year. The subsidy is now significantly higher. These subsidies are costing non-farm European families more than U.S. $900 a year each.

Japanese taxpayers were subsidising farmers at the rate of U.S. $10.5 billion in 1985, but as consumers they were paying many orders of magnitude higher than this. Since 1985, costs of Japanese farm programs have escalated further, because of lower commodity prices and the rapid rise in the value of the yen.

Consumers are paying food prices in Japan that are estimated to be around 60 per cent higher than would be the case if the fall in world prices and the yen appreciation since 1980 had been reflected in internal agricultural prices.

Despite all these costs, farmers in most countries face serious income and financial problems. Bankruptcies continue unabated, and the farm income outlook remains depressed. The situation is as bad or worse in the heavily subsidising countries as it is in those without such an elaborate support apparatus.

Quite apart from the subsidy costs to taxpayers and consumers, farm programs adversely affect national income growth, domestic employment and income distribution. The E.C. alone is estimated to have lost up to a net 1 million jobs in manufacturing and services as a result of agricultural protection.

The most serious indictment of international agricultural policies has been their effects on other countries, on world trade, and on international political harmony.

There has been a dramatic decline of farm incomes in countries dependent upon agricultural exports. These countries make up a large part of the developing world. Even in a developed country such as Australia, real farm incomes have declined by nearly 50 per cent since 1983-84 and export earnings have fallen sharply.

In a world in which many developing countries are burdened with large debts and high interest rates, the crisis in world agricultural trade is contributing to disillusionment with the international economic system.

If existing policies remain in place, it will take a long time for significant improvement in farm incomes and agricultural trade to eventuate. Stocks will remain burdensome well into the 1990s. Farm liquidations will continue and international tension will remain high.

Richard W. Goldberg, Deputy Under Secretary, International Affairs and Commodity Programs, U.S. Department of Agriculture said, "The present U.S. Administration has three specific goals for U.S. agriculture. To freeze the present level of direct and indirect subsidies that directly or indirectly impact on trade and eventually phase them out. To apply no new import barriers and to phase out existing barriers. And to harmonize food, plant and animal health regulations.

"We anticipate some upturn in the volume of U.S. agricultural exports during fiscal 1987," Goldberg said. "Population increases and improvement in some sectors of the world economy—especially in the Pacific Rim—should bolster world demand. And because of the 1985 farm bill, U.S. exporters are now in a position where they can compete more successfully for world markets."

Export values will remain near last year's level as lower prices for program commodities offset the larger sales volume.

Imports are expected to show very little change from last year's level of $20.9 billion.

We will continue to run a positive balance of about $6 billion in our agricultural trade.

While we are unlikely to see a return to the steep growth rates of the 1970s, modest increases in agricultural exports are possible now that the U.S. is once again more price-competitive."

Robert L. Thompson, Global Trends in Agricultural Supply and Demand said, "Wide-ranging supply and demand developments combined in the 1970s and 1980s to increase both the importance of the U.S. in the world market for farm products and the importance of the world market to the well-being of U.S. agriculture. To provide any sort of insight into global trends in agricultural supply and demand, it is essential to briefly review the events of the past two decades.

In the 1970s, developments in supply and demand worked both to expand world agricultural trade and to increase the U.S. share of the market at an unprecedented pace. World trade expanded four-fold while U.S. exports increased six-fold. By 1980, more than one-third of our cropland was committed to producing for export while 2-of-every-5 tons of the farm products traded were produced in the U.S.

Many of the same factors worked in reverse in the 1980s. Growth in world agricultural trade essentially stopped, and U.S. exports dropped one-third. This 55-million-ton drop in U.S. exports, following on the heels of the 1970s 100-million-ton run-up, lies at the heart of many of the problems we face in agriculture today. We are in the midst of a far-reaching restructuring of the sector. Complicating this is the limited ability of the world market to react to swings in global supply and demand without having the sharp price adjustments transmitted to the countries linked to the market.

While the 1985 Farm Bill helped, we need to be vigilant to ensure that U.S. agriculture remains internationally competitive. Fertile soil and favorable climatic conditions account for only part of American agriculture's comparative advantage. Much more rests on the cumulative investments that have been made in agricultural research and extension over the past century. These investments have given American agriculture one of the fastest rates of growth in productivity of any sector of the U.S. economy.

Unfortunately for us, many other countries have caught on to the source of our growth. While our rate of investment in agricultural research has stagnated in the past 15 years, many other countries have substantially increased their agricultural research and development investments. This is closing the productivity gap between the U.S. and other countries' agricultures. So one might say that we now find ourselves on a global technology treadmill and that we must keep investing to maintain productivity growth to maintain our position of predominance relative to other agricultural exporting countries.

(Turn to Page A39)

National Milk Producers Let Dairy Policy Simmer

(Continued from Page A1)

Helms of North Carolina and Patrick Leahy of Vermont, John Melcher of Montana, and Congressmen E. (Kika) de la Garza of Texas, Steve Gunderson of Wisconsin, James Jeffords of Vermont and Charles Stenholm of Texas.

In his address to Tuesday's opening session, Secretary of Agriculture Richard Lyng re-emphasized the administration's commitment to allowing current dairy legislation in the 1985 Farm Bill time to work.

"Leave major public dairy policies as they are right now for a few years," urges Lyng. That included a firm thumbs down to suggestions for a second herd buyout and supply management proposals.

Lyng credited the program effectiveness citing decreasing production, climbing milk prices above the support level, low feed costs, rising commercial disappearance and reduced CCC purchases of surplus products.

The Secretary expressed the administration's strong opposition to milk production quota proposals, predicting they would have disasterous affects on commercial consumption and strait-jacket dairy farmers. He warned the producers to avoid "a race for base," predicting continued support price slashes if milk output spurts upward.

"It's our best chance in years to minimize the hand of the government on dairy farmers by restraining production," suggested Lyng.

In a congressional panel deliberating dairy policy, Congressman Gunderson told producers that the industry must be absolutely unified. "If they come back to congress with proposed changes in dairy policy as the only commodity cutting government support cost while farm prices are increasing, dairy can expect a hands-off attitude from Washington to allow more time for production to balance with demand."

Congressman Jeffords projected that unless producers "get their act together" mandated Gramm-Rudman budget cuts will further slice support levels.

Cuts already scheduled will drop the support price on Jan. 1, 1987 from $11.60 to $11.35. That 25-cent cut will be partially offset in the assessment funding herd buyout under the Dairy Termination Plan.

A further 25-cent support price cut scheduled for Oct. 1, 1987 will also be offset as the remaining 25-cent DTP ends.

Jeffords suggests the industry may be reaching a turning point and a scheduled Oct. 1, 1988 50-cent support price cut to $10.60 may not be needed if CCC purchases can be held under five billion pounds.

Unlike the administration, the Vermont congressman supports consideration for a re-run of the herd buyout program. He says the buyout combined with successful milk promotion efforts and the earlier milk diversion program are responsible for bringing production more in line with demand.

"I want to see farmers benefit from technologies like bovine growth hormone," says Jeffords, "and a buyout would get rid of cattle that would otherwise produce more and result in lower prices."

Congressman Stenholm touched on the industry's most debatable issue, claiming "supply management is not a bad word in my vocabulary — everyone has a different interpretation."

Four separate interpretations were offered during a heavily attended panel discussion Wednesday on supply management options.

"Let it work — it has better potential than 'experiments,'" was the advise of Clyde Rutherford, president of Dairylea cooperative and the nation's dairy policy commission.

The DTP, Rutherford said, is a supply management alternative already showing positive results. An estimated $1.5 billion have already been cut from government dairy spending with a projection of $4 billion in savings on CCC product purchases over the five year period in which buyout program participants may not milk dairy cows.

A quota program dubbed "Save the Family Farm Act" was introduced in the past session of Congress by Iowa Senator Tom Harkin. That plan was outlined during the panel discussion by Harkin's legislative aide George Palmer. Harkin's proposal would implement a production-base program with a support price increase for quota production near 70 percent parity based on a five-year historical average of production.

A price penalty of up to 75 percent on above quota production would transfer surplus production costs to expanding operations. Capitilization or selling of quota bases would be prohibited under Harkin's proposed bill.

Elwood Kirkpatrick, National Milk vice president and of Michigan Milk Producers, offered a two-tier pricing approach as faster and more equitable to farmers with more promise of long-term price stability. A two-tier program would take effect only if CCC purchases exceeded five billion pounds. Producers would receive full price for a percentage of a historic production base and a lesser price for production over that level.

The two-tier plan is not considered a quota program since it would be activated if government purchases reach the triggering five billion pound level. Kirkpatrick recommended the two-tier approach as simplier to administer, uniform to producers allowing no capitilization of bases and a method of permanent restraint on CCC purchases.

The final option outlined by University of Wisconsin Economist Truman Graf is for a voluntary program of target price deficiency payments and assessments also operable if CCC purchases exceed the five billion pound level.

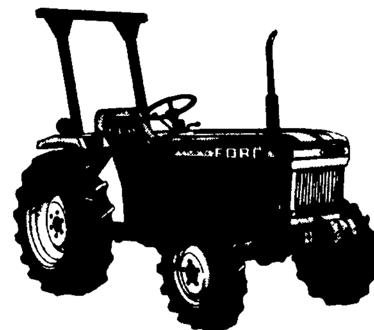
Support price would hold at $11.10. Producers voluntarily cutting production by 5 to 10 percent would qualify for deficiency payments from $11.15 to $11.50 per hundredweight on remaining production. Costs would be funded by producers who choose not to cut production and who would pay a 55 cent per hundredweight assessment on all production.

Under the proposed deficiency payment plan, a producer with 28 cows shipping 1,000 pounds per day would qualify for an estimated annual deficiency payment of $5,318. On 56 cows shipping 2,000 pounds per day, annual payment would reach the doubled figure of $10,636. And an 84-cow herd with 3,000 pound per day production, $15,954. Producers would sign up for such a program only one year at a time.

Target deficiency payments offer a voluntary program with payments partially funded by non-participants with no base, low cost to government, higher return to participating dairymen and are triggered only by over production.

This proposal is the only one to address the touchy regional production issue. In markets where Class 1 utilization is 70 percent or greater, assessments on non-participants could be dropped. And a deficiency payment to encourage production could possibly be added to the price paid non-participants to encourage milk production in deficit areas.

STOCKY NEW FORDS!



5¾%
ANNUAL PERCENTAGE RATE
FINANCING

TOUGH NEW 1000 SERIES DIESELS
UNDER 30 HORSEPOWER

Whether you want to mow an acre or a hundred dig a posthole or a sewer trench grade a driveway, plow a field or load a truck we've got a Ford 1000 Series tractor for the job!

These new compacts come with a combination of features you can't get anywhere else Smooth, efficient diesel engines Standard 10 or 12 speed transmissions Hydrostatic and Synchro Manual Shuttle transmission options Standard 540 rpm and PTO and Category I three point hitch Diff lock Optional front wheel drive And a choice of more than 50 matching implements and attachments

ALLEN H. MATZ, INC.
505 E. Main St., New Holland
Ph: 717-354-2214
SERVING THE COMMUNITY
THIRTY-SEVEN YEARS

LANC. CO'S OLDEST FORD DEALER